

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Brevort	<b>County</b> Mackinac
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> May 26, 2004	<b>Date Accountant Report Submitted to State:</b> May 26, 2004	

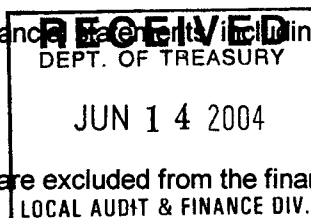
We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.



- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS  
RECEIVED SUPPLEMENTARY INFORMATION

DEPT. OF TREASURY

✓ JUN 14 2004 Year Ended March 31, 2004

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1-2
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types	A	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	4-5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds	C	6-7
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – All Proprietary Fund Types	D	8
Combined Statement of Cash Flows – All Proprietary Fund Types	E	9
Notes to Financial Statements		10-18
Supplementary Information:		
Combining Balance Sheet – All Special Revenue Funds	F	19
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – All Special Revenue Funds	G	20
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	H	21
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	I	22
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	J	23-24

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

May 26, 2004

To the Township Board  
Township of Brevort  
Mackinac County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Brevort, Mackinac County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Brevort's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Brevort, Mackinac County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2004, on our consideration of the Township of Brevort's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Township Board  
Township of Brevort  
Mackinac County, Michigan  
May 26, 2004  
Page 2

The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Brevort, Mackinac County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES

EXHIBIT A

March 31, 2004

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Agency</u>	
<u>Assets</u>					
Cash in bank	132 800 64	366 516 80	41 104 45	42 710 09	583 131 98
Accounts receivable	-	-	4 871 44	-	4 871 44
Taxes receivable	6 758 83	11 517 17	-	-	18 276 00
Due from other funds	30 147 65	5 532 81	-	-	35 680 46
Restricted cash in bank	-	-	48 325 58	-	48 325 58
Sewer system	-	-	4 178 545 50	-	4 178 545 50
Accumulated depreciation	-	-	(365 622 74)	-	(365 622 74)
Total Assets	<u>169 707 12</u>	<u>383 566 78</u>	<u>3 907 224 23</u>	<u>42 710 09</u>	<u>4 503 208 22</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Due to other funds	-	-	25 337 01	10 343 45	35 680 46
Due to other units	-	-	-	32 366 64	32 366 64
Contract payable	-	-	816 000 00	-	816 000 00
Total liabilities	<u>-</u>	<u>-</u>	<u>841 337 01</u>	<u>42 710 09</u>	<u>884 047 10</u>
Fund equity:					
Contributed capital	-	-	3 039 925 60	-	3 039 925 60
Retained earnings:					
Reserved	-	-	22 876 32	-	22 876 32
Unreserved	-	-	3 085 30	-	3 085 30
Fund balances:					
Unreserved:					
Undesignated	169 707 12	383 566 78	-	-	553 273 90
Total fund equity	<u>169 707 12</u>	<u>383 566 78</u>	<u>3 065 887 22</u>	<u>-</u>	<u>3 619 161 12</u>
Total Liabilities and Fund Equity	<u>169 707 12</u>	<u>383 566 78</u>	<u>3 907 224 23</u>	<u>42 710 09</u>	<u>4 503 208 22</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	54 576 96	106 368 50	160 945 46
State revenue sharing	48 737 50	-	48 737 50
Charges for services:			
Property tax administration	10 629 98	-	10 629 98
Interest	1 541 31	3 864 49	5 405 80
Miscellaneous	<u>30 064 67</u>	<u>12 650 81</u>	<u>42 715 48</u>
Total revenues	<u>145 550 42</u>	<u>122 883 80</u>	<u>268 434 22</u>
Expenditures:			
Legislative:			
Township Board	2 640 00	-	2 640 00
General government:			
Supervisor	6 600 00	-	6 600 00
Assessor	16 358 07	-	16 358 07
Clerk	9 459 84	-	9 459 84
Attorney and audit	5 883 50	-	5 883 50
Board of Review	1 108 20	-	1 108 20
Treasurer	9 129 84	-	9 459 84
Building and grounds	11 877 05	-	11 877 05
Unallocated	23 966 26	-	23 966 26
Public safety:			
Fire protection	-	18 823 32	18 823 32
Ambulance	14 074 56	-	14 074 56
Zoning	3 343 37	-	3 343 37
Public works:			
Highways and streets	-	128 298 26	128 298 26
Street lighting	1 932 00	-	1 932 00
Other:			
Insurance and pension	<u>9 975 69</u>	<u>-</u>	<u>9 975 69</u>
Total expenditures	<u>116 348 38</u>	<u>147 121 58</u>	<u>263 469 96</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 2

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Excess (deficiency) of revenues over expenditures	29 202 04	(24 237 78)	4 964 26
Fund balances, April 1	<u>140 505 08</u>	<u>407 804 56</u>	<u>548 309 64</u>
Fund Balances, March 31	<u><u>169 707 12</u></u>	<u><u>383 566 78</u></u>	<u><u>553 273 90</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	55 800 00	54 576 96	(1 223 04)
State revenue sharing	59 300 00	48 737 50	(10 562 50)
Charges for services:			
Property tax administration	-	10 629 98	10 629 98
Interest	3 845 00	1 541 31	(2 303 69)
Miscellaneous	<u>12 475 00</u>	<u>30 064 67</u>	<u>17 589 67</u>
Total revenues	<u>131 420 00</u>	<u>145 550 42</u>	<u>14 130 42</u>
Expenditures:			
Legislative:			
Township Board	2 640 00	2 640 00	-
General government:			
Supervisor	6 600 00	6 600 00	-
Assessor	17 500 00	16 358 07	(1 141 93)
Clerk	9 460 00	9 459 84	(16)
Attorney and audit	9 600 00	5 883 50	(3 716 50)
Board of Review	1 500 00	1 108 20	(391 80)
Treasurer	9 130 00	9 129 84	(16)
Building and grounds	12 050 00	11 877 05	(172 95)
Unallocated	36 470 00	23 966 26	(12 503 74)
Public safety:			
Fire protection	-	-	-
Ambulance	10 870 00	14 074 56	3 204 56
Zoning	5 000 00	3 343 37	(1 656 63)
Public works:			
Highways and streets	-	-	-
Street lighting	2 000 00	1 932 00	(68 00)
Other:			
Insurance and pension	<u>8 600 00</u>	<u>9 975 69</u>	<u>1 375 69</u>
Total expenditures	<u>131 420 00</u>	<u>116 348 38</u>	<u>(15 071 62)</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
111 600 00	106 368 50	(5 231 50)
-	-	-
-	-	-
-	3 864 49	3 864 49
-	<u>12 650 81</u>	<u>12 650 81</u>
<u>111 600 00</u>	<u>122 883 80</u>	<u>11 283 80</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
44 600 00	18 823 32	(25 776 68)
-	-	-
-	-	-
67 000 00	128 298 26	61 298 26
-	-	-
-	-	-
<u>111 600 00</u>	<u>147 121 58</u>	<u>35 521 58</u>

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		<u>Over (Under) Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Excess (deficiency) of revenues over expenditures	-	29 202 04	29 202 04
Fund balances, April 1	<u>-</u>	<u>140 505 08</u>	<u>140 505 08</u>
Fund Balances, March 31	<u>-</u>	<u>169 707 12</u>	<u>169 707 12</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	(24 237 78)	(24 237 78)
<u>-</u>	<u>407 804 56</u>	<u>407 804 56</u>
<u>-</u>	<u>383 566 78</u>	<u>383 566 78</u>

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES

EXHIBIT D

Year Ended March 31, 2004

	<u>Total</u>
	<u>Proprietary</u>
	<u>Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Charges for services	105 668 50
Miscellaneous revenue	13 181 00
Total operating revenues	<u>118 849 50</u>
Less operating expenses:	
Wages	22 199 00
Payroll taxes	1 698 22
Insurance	5 294 00
Legal	3 431 41
Repairs and maintenance	29 620 55
Utilities	5 039 57
Supplies	2 395 32
Miscellaneous	3 168 62
Total operating expenses before depreciation	<u>72 846 69</u>
Operating income (loss) before depreciation	46 002 81
Less: depreciation	<u>(104 463 64)</u>
Operating income (loss)	<u>(58 460 83)</u>
Nonoperating income (expense):	
Interest earnings	928 44
Interest expense	(26 812 50)
Amortization of contributed capital	81 605 00
Net nonoperating income (expense)	<u>55 720 94</u>
Net income (loss)	(2 739 89)
Retained earnings, April 1	<u>28 701 51</u>
Retained Earnings, March 31	<u><u>25 961 62</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINED STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUND TYPES

Year Ended March 31, 2004

EXHIBIT E

	<u>Total</u> <u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>
Cash flows from operating activities:	
Cash received from customers	108 624 95
Cash payments to suppliers for goods and services	(50 647 69)
Cash payments to employees for services	(22 199 00)
Other revenues	<u>13 181 00</u>
Net cash provided (used) for operating activities	<u>48 959 26</u>
Cash flows from capital financing activities:	
Principal paid on long-term debt	(9 000 00)
Interest paid on long-term debt	<u>(26 812 50)</u>
Net cash provided (used) for capital financing activities	<u>(35 812 50)</u>
Cash flows from investing activities:	
Interest income	<u>928 44</u>
Net cash provided (used) for investing activities	<u>928 44</u>
Net increase (decrease) in cash and cash equivalents	14 075 20
Cash and cash equivalents, April 1	<u>75 354 83</u>
Cash and Cash Equivalents, March 31	<u>89 430 03</u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	(58 460 83)
Depreciation	104 463 64
Increase (decrease) in assets and liabilities:	
Accounts receivable	<u>2 956 45</u>
Net Cash Provided (Used) for Operating Activities	<u>48 959 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Brevort, Mackinac County, Michigan conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Brevort. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Enterprise Fund

The Sewer Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.



TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 7.0405 mills and the taxable value was \$22,884,922.00.

Fixed Assets and Depreciation

Fixed assets in the Enterprise Fund are depreciated using the straight-line method over the estimated useful lives of the assets. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expense as incurred.

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. The Township has not recorded the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant collectible amounts due to the Township.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>631 457 56</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	150 603 99
Uninsured and Uncollateralized	<u>491 453 71</u>
Total Deposits	<u>642 057 70</u>

The Township of Brevort did not have any investments as of March 31, 2004.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**Note 3 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Fire	2 254 89	Current Tax Collection	10 343 45
General	4 810 64	Sewer	25 337 01
Road	3 277 92		
General	<u>25 337 01</u>		
Total	<u>35 680 46</u>	Total	<u>35 680 46</u>

**Note 4 – Sewer Fund Contract Payable**

In 1999, the County of Mackinac issued \$842,000.00 of its bonds to partially fund improvements to the Brevort Township Sewer System. The Township has agreed to make payments to the County in amounts sufficient to pay the principal and interest at the rate of 3.25% per annum on the bonds as they come due. As of March 31, 2004, the principal balance outstanding was \$816,000.00 and it is recorded in the Sewer Fund.

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
6/1/04		13 260 00	13 260 00
12/1/04	10 000 00	13 260 00	23 260 00
6/1/05		13 097 50	13 097 50
12/1/05	10 000 00	13 097 50	23 097 50
6/1/06		12 935 00	12 935 00
12/1/06	11 000 00	12 935 00	23 935 00
6/1/07		12 756 25	12 756 25
12/1/07	12 000 00	12 756 25	24 756 25
6/1/08		12 561 25	12 561 25
12/1/08	12 000 00	12 561 25	24 561 25
6/1/09		12 366 25	12 366 25
12/1/09	13 000 00	12 366 25	25 366 25
6/1/10		12 155 00	12 155 00
12/1/10	14 000 00	12 155 00	26 155 00
6/1/11		11 927 50	11 927 50
12/1/11	15 000 00	11 927 50	26 927 50
6/1/12		11 683 75	11 683 75

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Sewer Fund Contract Payable (continued)

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
12/1/12	15 000 00	11 683 75	26 683 75
6/1/13		11 440 00	11 440 00
12/1/13	16 000 00	11 440 00	27 440 00
6/1/14		11 180 00	11 180 00
12/1/14	16 000 00	11 180 00	27 180 00
6/1/15		10 920 00	10 920 00
12/1/15	17 000 00	10 920 00	27 920 00
6/1/16		10 643 75	10 643 75
12/1/16	18 000 00	10 643 75	28 643 75
6/1/17		10 351 25	10 351 25
12/1/17	19 000 00	10 351 25	29 351 25
6/1/18		10 042 50	10 042 50
12/1/18	19 000 00	10 042 50	29 042 50
6/1/19		9 733 75	9 733 75
12/1/19	20 000 00	9 733 75	29 733 75
6/1/20		9 408 75	9 408 75
12/1/20	20 000 00	9 408 75	29 408 75
6/1/21		9 083 75	9 083 75
12/1/21	21 000 00	9 083 75	30 083 75
6/1/22		8 742 50	8 742 50
12/1/22	22 000 00	8 742 50	30 742 50
6/1/23		8 385 00	8 385 00
12/1/23	23 000 00	8 385 00	31 385 00
6/1/24		8 011 25	8 011 25
12/1/24	23 000 00	8 011 25	31 011 25
6/1/25		7 637 50	7 637 50
12/1/25	24 000 00	7 637 50	31 637 50
6/1/26		7 247 50	7 247 50
12/1/26	25 000 00	7 247 50	32 247 50
6/1/27		6 841 25	6 841 25
12/1/27	26 000 00	6 841 25	32 841 25
6/1/28		6 418 75	6 418 75
12/1/28	28 000 00	6 418 75	34 418 75
6/1/29		5 963 75	5 963 75
12/1/29	29 000 00	5 963 75	34 963 75
6/1/30		5 492 50	5 492 50
12/1/30	30 000 00	5 492 50	35 492 50
6/1/31		5 005 00	5 005 00

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Sewer Fund Contract Payable (continued)

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
12/1/31	32 000 00	5 005 00	37 005 00
6/1/32		4 485 00	4 485 00
12/1/32	33 000 00	4 485 00	37 485 00
6/1/33		3 948 75	3 948 75
12/1/33	34 000 00	3 948 75	37 948 75
6/1/34		3 396 25	3 396 25
12/1/34	36 000 00	3 396 25	39 396 25
6/1/35		2 811 25	2 811 25
12/1/35	39 000 00	2 811 25	41 811 25
6/1/36		2 177 50	2 177 50
12/1/36	43 000 00	2 177 50	45 177 50
6/1/37		1 478 75	1 478 75
12/1/37	45 000 00	1 478 75	46 478 75
6/1/38		747 50	747 50
12/1/38	<u>46 000 00</u>	<u>747 50</u>	<u>46 747 50</u>
Totals	<u>\$816 000 00</u>	<u>\$588 672 50</u>	<u>\$1 404 672 50</u>

Note 5 – Deferred Compensation Plan

The Township has no deferred compensation plan.

Note 6 – Budget Variances

During the fiscal year ended March 31, 2004, Township expenditures also exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Ambulance	10 870 00	14 074 56	3 204 56
Insurance and pension	8 600 00	9 975 69	1 375 69
Road Fund Activity:			
Highways and streets	67 000 00	128 298 26	61 298 26

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$4,745.19.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Brevort does not issue building permits. Building permits are issued by the State of Michigan.

Note 10 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
March 31, 2004

EXHIBIT F

<u>Assets</u>	<u>Fire</u>	<u>Roads</u>	<u>Total</u>
Cash in bank	146 738 48	219 778 32	366 516 80
Taxes receivable	4 606 69	6 910 48	11 517 17
Due from other funds	<u>2 254 89</u>	<u>3 277 92</u>	<u>5 532 81</u>
Total Assets	<u>153 600 06</u>	<u>229 966 72</u>	<u>383 566 78</u>
<u>Liabilities and Fund Balances</u>			
Fund balances	<u>153 600 06</u>	<u>229 966 72</u>	<u>383 566 78</u>
Total Liabilities and Fund Balances	<u>153 600 06</u>	<u>229 966 72</u>	<u>383 566 78</u>



TOWNSHIP OF BREVORT  
Mackinac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

EXHIBIT G

Year Ended March 31, 2004

	<u>Fire</u>	<u>Roads</u>	<u>Total</u>
Revenues:			
Property taxes	42 542 63	63 825 87	106 368 50
Interest	525 13	3 339 36	3 864 49
Miscellaneous	<u>-</u>	<u>12 650 81</u>	<u>12 650 81</u>
Total revenues	<u>43 067 76</u>	<u>79 816 04</u>	<u>122 883 80</u>
Expenditures			
Public safety:			
Fire protection	18 823 32	-	18 823 32
Public works:			
Highways and streets	<u>-</u>	<u>128 298 26</u>	<u>128 298 26</u>
Total expenditures	<u>18 823 32</u>	<u>128 298 26</u>	<u>147 121 58</u>
Excess (deficiency) of revenues over expenditures	24 244 44	(48 482 22)	(24 237 78)
Fund balances, April 1	<u>129 355 62</u>	<u>278 448 94</u>	<u>407 804 56</u>
Fund Balances, March 31	<u>153 600 06</u>	<u>229 966 72</u>	<u>383 566 78</u>

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT H

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>51 446 35</u>	<u>762 583 12</u>	<u>771 319 38</u>	<u>42 710 09</u>
Total Assets	<u>51 446 35</u>	<u>762 583 12</u>	<u>771 319 38</u>	<u>42 710 09</u>
<u>Liabilities</u>				
Due to other funds	<u>10 286 99</u>	<u>106 822 44</u>	<u>106 765 98</u>	<u>10 343 45</u>
Due to other units	<u>41 159 36</u>	<u>655 760 68</u>	<u>664 553 40</u>	<u>32 366 64</u>
Total Liabilities	<u>51 446 35</u>	<u>762 583 12</u>	<u>771 319 38</u>	<u>42 710 09</u>

TOWNSHIP OF BREVORT  
Mackinac County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT I

Cash in bank – beginning of year	<u>51 446 35</u>
Cash receipts:	
Property tax	755 250 93
Property tax administration fees	7 260 80
Interest	<u>71 39</u>
Total cash receipts	<u>762 583 12</u>
Total beginning balance and cash receipts	<u>814 029 47</u>
Cash disbursements:	
Township General Fund	68 691 75
Township Fire Fund	38 074 23
Township Road Fund	64 606 97
Township Sewer Fund	9 713 93
Mackinac County	230 894 16
E.U.P. Intermediate School District	20 532 37
St. Ignace Area School District	315 836 67
Rudyard Area School District	22 040 88
Refunds	<u>928 42</u>
Total cash disbursements	<u>771 319 38</u>
Cash in Bank – End of Year	<u>42 710 09</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**EXHIBIT J  
Page 1**

May 26, 2004

To the Township Board  
Township of Brevort  
Mackinac County, Michigan

We have audited the financial statements of Township of Brevort, Mackinac County, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated May 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Township of Brevort's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Township of Brevort's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

EXHIBIT J  
Page 2

To the Township Board  
Township of Brevort  
Mackinac County, Michigan  
May 26, 2004  
Page 2

that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the Township there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

# **CAMPBELL, KUSTERER & CO., P.C.**

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

May 26, 2004

To the Township Board  
Township of Brevort  
Mackinac County, Michigan

**RECEIVED**  
DEPT. OF TREASURY

JUN 14 2004

LOCAL AUDIT & FINANCE DIV.

We have audited the financial statements of the Township of Brevort, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Brevort in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Brevort  
Mackinac County, Michigan

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Brevort  
Mackinac County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Brevort will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants